

## Message Text

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ACTION XMB-04

INFO OCT-01 EUR-12 ISO-00 EB-07 CIAE-00 INR-07 NSAE-00

TRSE-00 COME-00 SS-15 L-03 /049 W

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R 161420Z JUL 1

FM AMEMBASSY VALLETTA

TO SECSTATE WASHDC 6893

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E.O. 11652: N/A

TAGS: EFIN, MT

SUBJ: EXIM BANK POSITION IN MALTA

REF: REF: VALLETTA 0618

1. AMBASSADOR AGAIN DISCUSSED THE PHOENIX PROBLEM ON JULY 14 WITH GOM ATTORNEY GENERAL EDGAR MIZZI, STRESSING NEGATIVE ASPECTS OF NOT MEETING CLAIMS ISURED BY EXIM. MIZZI SAID HE HAD TAKEN ANOTHER LOOK AT THE WHOLE SUBJECT AND BELIEVED THAT THE GOM "WAS ON STRONG GROUND." HE REVIEWED BRIEFLY THE HISTORY OF PHOENIX'S PROBLEMS AND REITERATED THAT THE COMPANY WOULD HAVE HAD TO CLOSE ITS DOORS AND DISMISS ITS EMPLOYEES IF THE GOM HAD NOT ACTED TO SALVAGE THE OPERATION. AMBASSADOR SAID THIS DID NOT SOVLE EXIM'S PROBLEM.

2. MIZZI ALLEGED THAT PROF. JOSEPH GANADO (SEE VALLETTA 0395), ONE OF THE TWO LIQUIDATORS, HAD "FAILED TO RESPOND" TO REPEATED GOM EFFORTS TO WORK OUT A SATISFACTORY SOLUTION. (COMMENT: WE WILL CHECK THIS.) IN ANY CASE, MIZZI SAID HE DID NOT SEE ANY REAL POSSIBILITY OF THE GM'S "ENTERING INTO A DIRECT RELATIONSHIP WITH ANYONE (PRESUMABLY EXIM) OTHER THAN THE PHOENIX LIQUIDATORS". HE THEREFORE FELT THAT EXIM'S PROBLEM WAS ONE WHICH SHOULD BE SETTLED "WITH THE LIQUIDATORS," WHO WERE ADMINISTERING ALL ASSETS AND LIABILITIES OF

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THE COMPANY.

3. MIZZI INDICATED THAT THE GOM'S INTEREST REMAINED ONLY TO KEEP THE PLANT OPERATING AND TO RETAIN ITS BADLY NEEDED JOBS. HE HELD THAT IF THE GOM HAD NOT INTERVENED AS IT HAD, THE POSITION OF ALL CREDITORS OF PHOENIX WOULD BE FAR WORSE THAN IT NOW IS. HE SAID THAT THE GOM WAS PREPARED TO MAKE A BID FOR THE PLANT AND TO ALLOW ANYONE ELSE TO DO SO AS LONG AS THE PLANT REMAINED IN OPERATION AND EMPLOYMENT MAINTAINED. AT THE SAME TIME, MIZZI INDICATED THAT THE GOM IS PREPARED TO COMPENSATE PHOENIX FOR THE USE OF ITS MACHINERY AND STOCKS UNTIL A FINAL ARRANGEMENT IS REACHED.

4. COMMENT: MIZZI'S APPROACH IS RECOGNIZED AS ONE CALCULATED TO SHOW THE GOM'S ROLE IN THIS MATTER IN THE MOST FAVORABLE LIGHT. WHILE SUGGESTING THAT ALL DEALINGS ARE MOST APPROPRIATELY HANDLED BY THE PHOENIX LIQUIDATORS, MIZZI NEGLECTS A VITAL CONSIDERATION, I.E. THAT THE GOM HAS NO INTENTION OF ALLOWING A NORMAL LIQUIDATION TO TAKE PLACE (SEE REFTTEL). WE WILL PURSUE THE MATTER FURTHER WITH PROF. GANADO AND OTHERS CONCERNED AND REPORT FURTHER. SMITH

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NNN

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

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